

Debtors' Ex. 55

POA pension classes and claim

June 24, 2021



Redacted for Privilege

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High level summary of class treatment for claim and impairment calculation

	Components of pension claim ¹		Sources of impairment					Directional impairment
	Pre-May 3, 2017 accruals	Accruals after plan confirmation	Freeze	Death and disability elimination	Cut over \$1,500	COLA removal	Offsetting recovery	
Retiree Claims (6 different classes based on system and whether impaired)	Yes	N/A	No	No	Yes	JRS and ERS high-risk	None	<ul style="list-style-type: none"> Average impairment percentage well below 8.5% COLAs affect later years so elimination is dampened by PV discounting Even judges are below 8.5% because the PV calculation as of 7/1/17 reflects 5 years of uncut benefits
Active ERS Participant Claims	Yes	N/A	No	No	Non-law 3	High risk	\$100M contribution	<ul style="list-style-type: none"> Fairly small impairment percentage (~2%) because most are not impacted by cut and they get a \$100M recovery not included in the claim value
Active JRS Participant Claims	Yes	Yes	Yes	No	Yes	Yes	Social Security	<ul style="list-style-type: none"> Close to 50% impaired due to the freeze and elimination of COLAs with an impairment percentage of
Active TRS Participant Claims	Yes	Yes	Yes	No	Yes	No	Social Security	<ul style="list-style-type: none"> Largest impairment percentage (close to 50%) even though they are not losing COLAs because as a younger group than the judges the freeze has a larger impact
System 2000 Participants	Yes	N/A	No	Yes ²	N/A	Yes	\$1.2B deposit	<ul style="list-style-type: none"> ~20% impairment percentage due to the elimination of death and disability benefits available if contributions are kept in the system

¹The present value of benefits earned between the petition date and the plan effective date are excluded from the claim calculation

²The census data as of July 1, 2017 includes employees that have since withdrawn their contributions and would not be in the current \$1.2B System 2000 balances. Participants who have withdrawn their contributions have either annuitized them and therefore would be in the retiree class or else removed themselves from the system completely. In either case, they should not be in the System 2000 class. The change in System 2000 balances from July 1, 2017 to May 2020 was used to approximate the portion of the System 2000 population as of July 1, 2017 that are no longer in the System 2000 class.

Summary of how to determine class for each individual

Based on information requested from ERS for balloting purposes

Class Identification ¹		
Class	Plan	Status ^{2,3}
48A	• ERS	• In pay status • VTP (law 70, 211)
48B	• JRS	• In pay status
48C	• TRS	• In pay status
48D	• ERS	• In pay status • VTP (law 70, 211)
48E	• JRS	• In pay status
48F	• TRS	• In pay status
48G	• ERS	• Currently Employed • No longer employed, owed a benefit but not commenced
48H	• JRS	• Currently Employed • No longer employed, owed a benefit but not commenced
48I	• TRS	• Currently Employed • No longer employed, owed a benefit but not commenced
48J	• ERS	• Currently Employed • No longer employed, owed a benefit but not commenced

Determination of benefit amount for retirees

The benefit amount for each retiree will be used to weight retiree ballots and also determine whether a retiree's benefit is above or below the \$1,500 threshold. The amount in pay as of April 1, 2021 will be used for this purpose. The benefit reduction describes the following calculation:

$$\text{Total Monthly Benefit} = \text{Monthly Pension} + 1/12 * (\text{Christmas Bonus}^5 + \text{Summer Bonus}^5 + \text{Medicine Bonus}^5)$$

¹ Based on fields requested from ERS in ballot data request

² Status on April 1, 2021 requested broken out by a) those in pay and b) those currently employed, c) no longer employed but owed a benefit. VTP participants under Act 70, 211 were separately requested.

³ Although the classes for Plan of Adjustment purposes are defined based on status as of April 1, 2021, the claim will be calculated based on census data (e.g. date of birth, salary etc.) as of July 1, 2017 i.e. most recent date at which valuation ready census data is available from Milliman)

⁴ Applicable law is generally defined by date of hire. Due to potential breaks in service, ERS data will be relied upon for determining which law applies. Request asked to indicate law for ERS (Law 447 / Law 1 / System 2000 / Act 3 / Law 127 / Act 106) and TRS (Legacy DB / Act 106), but that JRS law was not requested

⁵ The eligibility for the bonus benefits was requested. The standard bonus amounts as indicated in the 1/1/2017 reports will be used for those eligible if amounts not provided

Appendix

Voluntary Transition Program (VTP) background¹

Act 211	<ul style="list-style-type: none"> ▶ Act 211-2015 allowed ERS employees to begin receiving a pension earlier than normally allowed by ERS ▶ Act 170-2016 further expanded Act 211-2015 to expand the members and agencies eligible to participate ▶ Until the age at which pension is paid through paygo, these individuals receive their pension through payroll ▶ Although Act 106-2017 seems to closed this VTP, additional employees are still being accepted to this VTP 																
Population affected by Act 211	<ul style="list-style-type: none"> ▶ Based on recent data from ERS, there should be ~1,900 members still receiving pensions through payroll <ul style="list-style-type: none"> ▶ Some participants may continue to receive pensions through payroll as late as 2035 for Act 211 ▶ 427 of these participants have benefits over \$1,500 ▶ Milliman data does not include additional employees made eligible under Act 170-2016 																
Law 70	<ul style="list-style-type: none"> ▶ Law 70-2010 provided 3 different retirement options, including (Article 4b) for members with 15-30 years of service to elect a benefit of 37.5-50% of pay through payroll until age 55 and 30 years of service 																
Population affected by Law 70	<ul style="list-style-type: none"> ▶ Based on recent data from ERS, there should be ~4,100 members entitled to a future pension through paygo as late as 2037 ▶ 643 of these participants have benefits over \$1,500 																
Decision points	<ol style="list-style-type: none"> 1. Since benefits through paygo will be subject to cut, which class should these participants vote under if they are still receiving benefits through payroll and therefore not yet “retired” 2. Should benefits paid through payroll be subject to the COR cut <ul style="list-style-type: none"> ▶ May require creation of a separate class since these benefits are not an ERS liability 																
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;"></th> <th style="text-align: center;"><u>Act 211</u>²</th> <th style="text-align: center;"><u>Act 70</u></th> <th style="text-align: center;"><u>Total</u></th> </tr> </thead> <tbody> <tr> <td>▶ Estimated FY 23 pensions paid through payroll</td><td style="text-align: center;">\$22.5M</td><td style="text-align: center;">\$55.9M</td><td style="text-align: center;">\$78.4M</td></tr> <tr> <td>▶ Estimated FY 23 savings if cut applied</td><td style="text-align: center;">\$0.4M</td><td style="text-align: center;">\$0.8M</td><td style="text-align: center;">\$1.2M</td></tr> <tr> <td>▶ Estimated fiscal plan savings if cut applied</td><td style="text-align: center;">\$1.2M</td><td style="text-align: center;">\$4.9M</td><td style="text-align: center;">\$6.1M</td></tr> </tbody> </table>		<u>Act 211</u> ²	<u>Act 70</u>	<u>Total</u>	▶ Estimated FY 23 pensions paid through payroll	\$22.5M	\$55.9M	\$78.4M	▶ Estimated FY 23 savings if cut applied	\$0.4M	\$0.8M	\$1.2M	▶ Estimated fiscal plan savings if cut applied	\$1.2M	\$4.9M	\$6.1M
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¹ Includes both fiscal plan and non-fiscal plan employers

² May be understated since participants continue to be accepted into the VTP